

Senate Study Bill 1033 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON LABOR AND BUSINESS
RELATIONS BILL BY
CHAIRPERSON WHITING)

A BILL FOR

1 An Act creating a new resident tax credit available against
2 the individual income tax, and including applicability
3 provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **422.120 New resident tax credit.**

2 1. For purposes of this section, "new resident" means an
3 individual who is a resident of Iowa working in this state, and
4 who has not been a resident of this state at any time during the
5 previous two tax years prior to establishing residency in this
6 state.

7 2. *a.* The taxes imposed under this subchapter less the
8 credits allowed under section 422.12 shall be reduced by a new
9 resident tax credit equal to a percent of the taxes imposed
10 under this subchapter less the amounts of credits allowed under
11 this subchapter, as determined as follows:

12 (1) For the first year, twenty percent.

13 (2) For the second year, forty percent.

14 (3) For the third year, sixty percent.

15 (4) For the fourth year, eighty percent.

16 (5) For the fifth year, one hundred percent.

17 *b.* A new resident may claim the credit during either the
18 first or second tax year of residency, and shall take the
19 credit consecutively every tax year thereafter as provided in
20 paragraph "a".

21 3. Any credit in excess of the tax liability is not
22 refundable but the excess for the tax year may be credited
23 to the tax liability for the following five years or until
24 depleted, whichever is earlier.

25 4. Married taxpayers electing to file separate returns or
26 filing separately on a combined return may avail themselves
27 of the new resident tax credit by allocating the new resident
28 tax credit to each spouse in the proportion that each spouse's
29 respective earned income bears to the total combined earned
30 income.

31 Sec. 2. **APPLICABILITY.** This Act applies to tax years
32 beginning on or after January 1, 2022.

33 **EXPLANATION**

34 The inclusion of this explanation does not constitute agreement with
35 the explanation's substance by the members of the general assembly.

1 This bill creates a new resident tax credit available
2 against the individual income tax.

3 The bill defines "new resident" to mean an individual who is
4 a resident of Iowa working in this state, and who has not been a
5 resident of this state at any time during the previous two tax
6 years prior to establishing residency.

7 The credit authorized in the bill is available to a new
8 resident for the five consecutive tax years following the
9 establishment of residency in this state. A new resident may
10 begin to claim the credit during either the first or second tax
11 year of residency.

12 The amount of the credit is equal to a percent of the income
13 tax imposed, determined as follows: for the first year, 20
14 percent; for the second year, 40 percent; for the third year,
15 60 percent; for the fourth year, 80 percent; and for the fifth
16 year, 100 percent.

17 Any credit provided in the bill in excess of tax liability is
18 not refundable but the excess for the tax year may be credited
19 to the tax liability for the following five years or until
20 depleted, whichever is earlier.

21 The bill applies to tax years beginning on or after January
22 1, 2022.